



**National Rural Electric
Cooperative Association**

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December 19, 1996

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: Universal Service Recommended Decision -- CC Docket No. 96-45.

Dear Mr. Caton:

The National Rural Electric Cooperative Association (NRECA) hereby submits its comments regarding the Federal Communications Commission's Common Carrier Bureau request for comment on the Universal Service Recommended Decision, CC Docket No. 96-45, released November 18, 1996.

Enclosed are an original plus nine copies of NRECA's comments. Please provide a personal copy to each of the Commissioners.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald K. Greenhalgh", is written over a horizontal line.

Ronald K. Greenhalgh
Chief Engineer

RKG/kh

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)

Federal-State Joint Board on)
Universal Service)

CC Docket No. 96-45

To: The Commission

COMMENTS OF THE
NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Pursuant to Section 1.415 and 1.419 of the Federal Communication Commission's (FCC) Rules, the National Rural Electric Cooperative Association (NRECA) hereby submits its comments regarding the Federal Communications Commission's Public Notice Seeking Comment on Universal Service Recommended Decision, CC Docket No. 96-45, released November 18, 1996.

I. Introduction

The National Rural Electric Cooperative Association (NRECA) is the national association of more than 1,000 consumer-owned rural electric generation & transmission and distribution systems which supply central station electricity to more than 25 million people in the rural areas of 2600 counties in 46 states. Rural Electric Cooperatives serve some 75% of the land area and operate half of all of the miles of electric lines in the United States, often providing services to the farthest reaches of our nation. Rural electric systems average 5 consumers per mile of line, compared with an average of 35 consumers per mile of line for other utilities.

II. Comment

The Education and Library Network Coalition (EDLINC), has filed extensive detailed comments that address the recommendations of the Joint Board and the issues identified by the FCC in this proceeding. On behalf of its millions of electric consumer/owners, and as a member of EDLINC, NRECA supports and endorses those comments.

However, NRECA takes this opportunity to reiterate comments filed in this proceeding on April 8, 1996, that address the specific issue of contributions to the Universal Service Fund (Fund) by electric utilities that serve rural and high cost areas. These comments do not appear to have been addressed in the Joint Board's recommendations.

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The universal service directives of the 1996 Act, which, rather than adopting a rigid definition of universal service, describes universal service as “an evolving level of telecommunications services that the Commission shall establish periodically..., taking into account advances in telecommunications and information technologies and services.”

The 1996 Act directs the FCC to accomplish the following tasks: promote the availability of quality services at just, reasonable, and affordable rates; increase access to advanced telecommunications services throughout the nation; and advance the availability of such services to all consumers, including those in low income, rural insular, and high cost areas at rates that are reasonably comparable to those charged in urban areas.

The 1996 Act requires all telecommunication carriers that provide interstate telecommunications service to contribute to the maintenance of universal telephone service. The 1996 Act defines telecommunications service as the offering of telecommunications for a fee directly to the public, or to such classes of users as to be effectively available directly to the public, regardless of the facilities used.

Under this definition a rural electric cooperative’s private internal networks that are not offered for a fee would not be considered telecommunication service providers and therefore would not be subject to the 1996 Act’s universal service contribution requirements. Also, the requirement that telecommunications service providers offer service “directly” to the public should allow rural electric utilities to provide infrastructure such as fiber optics and other bulk capacity to other third-party carriers without themselves being considered telecommunications service providers and therefore exclude them from universal service contribution requirements. The basis for this interpretation is that the cooperative is not directly offering service to the end-user public, but instead is merely acting as an infrastructure provider for a third-party communications company that would actually offer and market the service directly to the public. The Joint Board’s recommendation in paragraph 807 that contributions be based on a carrier’s gross telecommunications revenues net of payments to other carriers would disadvantage utilities which do not provide services but merely provide physical facilities such as “dark fiber.”

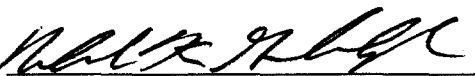
Another aspect of the 1996 Act’s universal service provision which states that: “Any other provider of interstate telecommunications may be required to contribute to the preservation and advancement of universal service if the public interest so requires.” The FCC has requested comment on whether it should impose universal service requirements more broadly, and if so, to what category of providers. NRECA’s view is that the FCC should give special consideration to electric utilities that provide telecommunication services to rural and high cost areas, since they would be directly meeting the intent of the 1996 Act’s universal service provisions. It would not be fair to also charge such cooperatives with a universal service fee, since the cost of such fee would be passed on to the same rural consumer that is receiving compensation from the Fund.

The 1996 Act empowers the FCC to exempt a carrier or class of carriers from the obligation to make contributions towards universal service if the carrier's telecommunications activities are limited to such an extent that the level of such carrier's contribution to preservation and advancement of universal service would be de minimis. NRECA believes that when the FCC establishes rules to exempt very small communications providers, the eligibility for the exemption should be based on the size of the "telecommunications service offering" rather than the overall size of the provider. In this way, a rural electric cooperative that only engages in telecommunications offerings in a limited manner would be eligible for an exemption.

NRECA appreciates the opportunity to participate in the development of these very important regulations. Affordable and reliable access to telecommunications services in rural areas of the nation is long overdue.

Respectfully submitted,

NATIONAL RURAL ELECTRIC
COOPERATIVE ASSOCIATION

By: 
Ronald K. Greenhalgh
Chief Engineer

National Rural Electric
Cooperative Association
4301 Wilson Boulevard
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December 19, 1996

Certificate of Service

I hereby certify that I have caused to be mailed this 19th day of December, 1996, copies of the foregoing Comments of the National Rural Electric Cooperatives Association by first class mail, postage prepaid, to the following persons:

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